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INTRODUCTION

The Office of Internal Audit performed an audit of the Glendale/Trumbull District for the period October 1, 2001 through September 30, 2002. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Glendale/Trumbull District had 96 full time equated positions (FTE's) at the time of our review. The Glendale/Trumbull District provided assistance to an average 14,062 recipients per month during FY 2001, with total assistance payments of \$21,584,829 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at The Glendale/Trumbull District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

Food Stamp Inventory and Issuance

State Emergency Relief (SER)

Client Processing

IRS Information Security

Cash Disbursements

Procurement Card

Medical Transportation

Employment Support Services

CIS/ASSIST

Payroll and Timekeeping

EXECUTIVE SUMMARY

Based on our audit, we conclude that The Glendale/Trumbull District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

DISTRICT OFFICE RESPONSE

The management of The Glendale/Trumbull District, Wayne County FIA has reviewed all findings and recommendations included in this report. They indicated in a telephone conversation on February 7, 2003 that the fiscal office has moved to Cadillac Place so findings #1-5 are corrected and they are in general agreement with finding #6-16.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Open Items on FIA-61

1. The Glendale/Trumbull District did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. We found six open items on the FIA-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on the FIA-61 provides documentation that returned checks/warrants were disposed of properly.

WE RECOMMEND that the Glendale/Trumbull District record the disposition of all checks/warrants on the FIA-61.

WE ALSO RECOMMEND that the Glendale/Trumbull District determine the disposition of the six open items on the FIA-61, and take the appropriate corrective action.

FIA-61 Log Reconciliation

- 2 The Glendale/Trumbull District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND that the Glendale/Trumbull District perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

Cash Disbursements

Separation of Duties - Disbursements

3. The Glendale/Trumbull District did not properly separate the cash disbursement duties. Our review disclosed that the same employee prepared the checks and ran them through the check signer, prepared the Sign-O-Meter Record (FIA-4711), and performed the bank reconciliation. Accounting Manual Item 410 states that for internal control purposes, the person responsible for signing the checks should be an employee independent of the cash disbursement function. Accounting Manual Item 410.1 states that the FIA-4711 should be prepared by someone independent of the automated disbursement function. Accounting Manual Item 405 states that the

person reconciling the disbursing account should not be responsible for check writing.

WE RECOMMEND that the Glendale/Trumbull District have an employee independent of the check preparation process operate the check signing machine, perform the bank reconciliation, and prepare the FIA-4711.

Entering Voided Checks on Check Register

4. The Glendale/Trumbull District FIA did not enter the voided checks in numerical sequence on the check disbursement register in the month in which they were voided, as required by Accounting Manual Item 410. Rather, the district was filing voided checks with the monthly documentation. Entering the voided checks in numerical sequence on the check register helps to ensure that all checks are properly accounted for.

WE RECOMMEND that the Glendale/Trumbull District enter voided checks in numerical sequence on the check disbursement register in the month in which they were voided.

Safe and Controlled Documents

Controlled Document Reconciliation Approval

5. The Glendale/Trumbull District did not have the preparer's supervisor sign the Monthly Controlled Document Inventory and Reconciliation (FIA-4351), as required by Accounting Manual Item 403. Having the preparer's supervisor sign the FIA-4351 provides documentation that the supervisor reviewed the reconciliation to ensure its accuracy.

WE RECOMMEND that the Glendale/Trumbull District have the preparer's supervisor sign the FIA-4351.

State Car Usage

Maintaining State Car Usage Logs

6. The Glendale/Trumbull District was not properly maintaining state car usage logs. The logs of three state cars assigned to the district were incomplete because they did not show the daily total of miles driven, the total miles driven during the month, and they were not signed and dated by the authorized agent.

WE RECOMMEND that the Glendale/ Trumbull District maintain a complete and accurate log for each State car.

State Emergency Relief

Payment Authorization Files

7. The Glendale/Trumbull District FIA did not maintain the files of Supplemental Payment Authorizations (FIA-13) and Authorization Invoices (FIA-849) in either alphabetical or case number order, as required by Accounting Manual Item 404. Rather, the district was filing the FIA-13's and the FIA-849's in alphabetical order by month. Filing the FIA-13's and FIA-849's in strict alphabetical or case number order on annual basis makes them easier to retrieve, if necessary and allows for quicker determination of how many FIA-849 and FIA-13 payments an individual has received.

WE RECOMMEND that the Glendale/Trumbull District file FIA-13's and FIA-849's in either alphabetical or case number order on annual basis.

CIS/ASSIST/LASR Security

CIS Security Agreements

8. The Glendale/Trumbull District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for all employees who access CIS, as required by L-Letter 97-063. The District did not have Security Agreements on file for 55 of the 85 employees who access CIS. In addition, two employees had a status code indicated on the FIA-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that the Glendale/ Trumbull District ensure that all employees who have access to CIS system have an accurate, up-to-date Security Agreement on file.

ASSIST Enrollment Profiles (FIA-3721)

9. The Glendale/Trumbull District FIA did not have accurate, up-to-date ASSIST Enrollment Profiles (FIA-3721) on file for all employees who access ASSIST, as required by L-Letter 97-063. For seven of the 91 ASSIST Enrollment Profiles (FIA-3721) we reviewed the job types indicated on the FIA-3721 did not agree with the current job types listed on the ASSIST Report Number VB9-554

WE RECOMMEND that the Glendale/Trumbull District ensure that all employees who have access to ASSIST have accurate, up-to-date ASSIST Enrollment Profiles on file.

Security Officers Log Report (PD-180)

10. The Glendale/Trumbull District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires

the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate. In addition, the same person who is responsible for reconciling the PD-180 log also maintains the CIS Security Agreements. For internal control purposes the reconciler must not be the CIS Security Coordinator and must be someone without access to CIS.

WE RECOMMEND that the Glendale/Trumbull District have an independent person reconcile the PD-180 report to revised Security Agreements.

User Responsibilities by County Report LR-890 and LR-853

11. The Glendale/Trumbull District did not reconcile the User Responsibilities by County Report (LR-890) and Security Officers Log Report (LR-853) to the LASR Security Access Requests (FIA-84). L-Letter L-02-088 requires that the district office must reconcile the LR-853 and LR-890 reports daily, weekly, or monthly to mitigate the risk to an acceptable level.

WE RECOMMEND that the Glendale/Trumbull District reconcile the User Responsibilities by County Report and the Security Officers Log Report to the LASR Security Access Requests at least monthly.

IRS Information Security

Knowledge of IRS Security Procedures

12. Mailroom staff, Family Independence Specialists (FIS) and Eligibility Specialists (ES) at the Glendale/Trumbull District were unaware of the proper procedures to follow for confidential information received from the IRS. Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is

necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that the Glendale/Trumbull District familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

Payroll and Timekeeping

Supervisor's Approval of Time and Attendance Reports

13. Time and Attendance Reports (FIA-4299) at the Glendale/Trumbull District were not always properly signed and approved. For each of the two months we reviewed there were FIA-4299's that were not signed by the employee (4 in the month of August) and FIA-4299's that were not approved by the supervisor (6 in August). The Primary Internal Control Criteria for Local/District Office Operations recommends that the supervisors approve the employee time and attendance reports, attesting to the accuracy of all reported time. Also each time and attendance report is signed by the employees prior to submitting to the supervisor for approval.

WE RECOMMEND that the Glendale/Trumbull District have the employees sign and the supervisors approve all time and attendance reports.

Reconciliation of HR-332A Turnaround Report

14. The Glendale/Trumbull District did not reconcile the turnaround HR-332A to original HR-332A report a week after the payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the District reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Glendale/Trumbull District reconcile the turnaround HR-332A report to the original HR-332A.

Procurement Card

Procurement Card Supporting Documents

15. The Glendale/Trumbull District FIA did not have a supporting invoice or other documentation for 2 out of 7 transactions we tested. Attaching original documentation to the Biweekly Transaction Log will assist the supervisor in reconciling the transactions and ensuring that purchases are appropriate.

WE RECOMMEND that the Glendale/Trumbull District attach original documentation to the BI-Weekly Transaction Log for reconciliation purposes.